

**Bay Metropolitan Transportation Authority
Bay City, Michigan**

FINANCIAL STATEMENTS

September 30, 2008

Bay Metropolitan Transportation Authority

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bay Metropolitan Transportation Authority
Bay City, Michigan

We have audited the accompanying financial statements of the Bay Metropolitan Transportation Authority as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bay Metropolitan Transportation Authority as of September 30, 2008, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the Bay Metropolitan Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Bay Metropolitan Transportation Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Bay Metropolitan Transportation Authority. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 5, 2009

Bay Metropolitan Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

As management of the Bay Metropolitan Transportation Authority ["the Authority"] we offer to readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Bay Metropolitan Transportation Authority for the fiscal year ended September 30, 2008.

Financial Highlights

- The net assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,348,491. *[page 2]*
- The Authority's total net assets decreased by \$186,832 as the result of current year activities. Of this figure, \$874,596 of the decrease was attributable to the depreciation of capital assets. *[pages 1 and 9]*
- State formula operating assistance increased by 2.7% over 2007 due to an increase in eligible operating expenses over the previous year, even though the state reimbursement percentage declined from 38.621% to 36.15%. *[pages 18 and 21]*
- Total net eligible operating expenses increased by \$647,136 [9.7%] over the previous year because of higher fuel costs and increases in fleet insurance and medical insurance premiums. *[pages 19 and 22]*
- Total expenses [including depreciation of capital assets] increased by \$727,785 [9.8%] and resulted in a loss of \$7,490,430, before capital contributions, state and federal grants, and local millage receipts are considered. *[page 2]*
- Unrestricted net assets were decreased by \$14,083 [0.8%] during the fiscal year. *[page 1]*
- During fiscal year 2008, total expenses [less depreciation] exceeded total revenues [operating and non-operating] by \$73,254. *[pages 2 and 9]*

Overview of the Financial Statements

This Management Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statement of net assets; statement of revenues, expenses and changes in net assets; statement of cash flows; and notes to the financial statements.

The statement of net assets presents information on all of the Authority's net assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net assets is shown on page 1 of this report.

The statement of revenues, expenses and changes in net assets presents information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus revenues, expenses and capital contributions are reported in the statements of some items that will result in cash flows only in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses and changes in net assets is shown on page 2 of this report.

The statement of cash flows summarizes all of the Authority's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows is shown on page 3 of this report.

The statement of cash flows, along with related notes and information in other financial statements, can be used to assess the following: the Authority's ability to generate positive future cash flows and pay its debts if and when they occur and/or mature; the reasons for the differences between the Authority's operating cash flows and operating income [loss]; the effect of cash and non-cash investing, capital, and financing activities on the Authority's financial position.

Bay Metropolitan Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. The notes to the financial statements are shown on pages 4 to 13 of this report.

The financial statements provide information on all functions of the Authority as business type activities. The activities of the Authority are supported by a property tax levy, fare collections from passengers, and federal and state financial assistance.

Financial Analysis

Statement of Net Assets - Total assets of the Authority exceeded total liabilities by \$5,348,491 as of September 30, 2008. The largest portion of this excess [65.9%; or \$3,525,034 of total net assets of \$5,348,491] was invested in capital assets less any related debt that might be outstanding. The Authority used these capital assets to provide public transit services to customers and member jurisdictions; consequently, these assets are not available for future spending. Even though the Authority has no current debt, it should be noted that the Authority's investment in capital assets resources could not be used to liquidate any future liabilities. Such debt, should it occur, would need to be repaid using other sources of revenue such as property tax.

CONDENSED STATEMENT OF NET ASSETS [page 1]

	<u>As of 9/30/07</u>	<u>Change</u>	<u>As of 9/30/08</u>
Current Assets	\$ 2,830,199	\$ 38,341	\$ 2,868,540
Capital Assets [net]	<u>3,697,783</u>	<u>-172,749</u>	<u>3,525,034</u>
Total Assets	6,527,982	-134,408	6,393,574
 Current Liabilities	992,659	52,424	1,045,083
Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	992,659	52,424	1,045,083
 Net Assets			
--Invested in Capital Assets	3,697,783	-172,749	3,525,034
--Unrestricted	<u>1,837,540</u>	<u>-14,083</u>	<u>1,823,457</u>
Total Net Assets	\$ 5,535,323	\$ -186,832	\$ 5,348,491

Unrestricted net assets of \$1,823,457 are available to meet the Authority's ongoing obligations.

Statement of Revenues, Expenses and Changes in Net Assets - During fiscal year 2008, the Authority's activities resulted in a decrease in net assets of \$186,832. The decrease was largely the result of increased operating expenses which included depreciation of capital assets.

Bay Metropolitan Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS *[pages 2 and 9]*

	<u>9/30/07</u>	<u>Change</u>	<u>9/30/08</u>
Operating Revenues	\$ 708,929	\$ 20,942	\$ 729,871
Non-Operating Revenues	<u>6,807,227</u>	<u>404,315</u>	<u>7,211,542</u>
Total Revenues	7,516,156	425,257	7,941,413
Depreciation Expense	764,515	110,081	874,596
Other Operating Expenses	<u>6,726,535</u>	<u>619,170</u>	<u>7,345,705</u>
Total Expenses	7,491,050	729,251	8,220,301
Change in Net Assets	25,106		-278,888
Restated Beginning Net Assets	<u>5,510,217</u>		<u>5,627,379</u>
Ending Net Assets	\$ 5,535,323		\$ 5,348,491

The increase in operating revenues of \$20,942 [3%] was very small. Property tax revenues increased by \$92,483 [4.0%]. The annual rate of increase has generally been in the range of 3.5% since the millage was first approved in 1981. Investment income decreased by \$25,323 [35%]. State of Michigan Act 51 operating assistance increased by \$40,626 [1.5%] due to an increase in eligible operating expenses. Federal FTA urban/non-urban operating assistance increased by \$296,529. In recent years, a sizable portion of federal urban formula funds have been used for operating purposes. In 2008, a larger portion of FTA Section 5307 funds were used for capital procurements. In addition, the Section 5311 non-urban reimbursement percentage declined from 17% to 16% of eligible expenses, although non-urban eligible operating expenses increased.

The following table shows revenues and expenses by source for the fiscal year ended September 30, 2008.

	<u>As of 9/30/07</u>	<u>Change</u>	<u>As of 9/30/08</u>
Operating Revenues	\$ 708,929	\$ 20,942	\$ 729,871
Non-Operating Revenues			
--Property Taxes	2,136,822	92,483	2,229,305
--State Funds	2,728,000	40,626	2,768,626
--Federal Funds	1,870,039	296,529	2,166,568
Interest Earnings	<u>72,366</u>	<u>-25,323</u>	<u>47,043</u>
Total Revenues	7,516,156	425,257	7,941,413
Operations Expenses	4,811,733	617,027	5,428,760
Maintenance Expenses	1,451,556	97,581	1,549,137
General Administrative Exp	<u>1,227,761</u>	<u>14,643</u>	<u>1,242,404</u>
Total Expenses	\$ 7,491,050	\$ 729,251	\$ 8,220,301

NOTE: In 2007, the \$7,491,050 in expenses includes \$764,515 in depreciation [net expense = \$6,726,535]. In 2008, the \$8,220,301 in expenses includes \$874,596 in depreciation [net expense = \$7,345,705].

Capital Assets and Debt Administration

Capital Assets - The Authority's investment in capital assets as of September 30, 2008, was \$3,525,034 compared to \$3,697,783 in 2007. Investment in capital assets includes: land; buildings and improvements; revenue and non-revenue vehicles; equipment; furniture, fixtures and leasehold improvements. The net decrease in investment in capital assets during the current year was \$172,749 [5.0%]. The most significant event that affected the Authority's capital assets during fiscal year 2008 was the annual depreciation of revenue vehicles.

Bay Metropolitan Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

The following table summarizes capital assets net of depreciation as of September 30, 2008.

	<u>As of 9/30/07</u>	<u>Change</u>	<u>As of 9/30/08</u>
Land [not depreciated]	\$ 165,894	\$ -	\$ 165,894
Buildings and Improvements	1,450,736	-250,393	1,200,343
Revenue/Service Vehicles	1,898,639	48,064	1,946,703
Furniture and Fixtures	989	-989	-
Maintenance Equipment	165,135	21,840	186,975
Shelters and Signs	3,114	-1,283	1,831
Radio Equipment/Fareboxes	3,058	-764	2,294
Spare parts	-	4,699	4,699
Data Processing Equipment	10,218	6,077	16,295
Net Capital Assets	\$ 3,697,783	\$ -172,749	\$ 3,525,034

Additional information on the Authority's capital assets is shown on pages 8 and 9.

Outstanding Debt - At the end of the 2008 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2007 fiscal year.

Other Significant Items

Property tax is the largest local source of revenue for the Authority and accounted for 30.9% of total revenues in 2007. In 2008, the figure was 30.5%. The Authority's property tax revenues have grown steadily at the annual rate of approximately 3.5% since the levy was first approved by the voters of Bay County in 1981 even though State of Michigan formula operating assistance reimbursement percentages have declined. The property tax was renewed by the voters for an additional five [5] years in November 2004. The 0.75 mill tax levy will remain in effect through 2010. The current levy is set at 0.7476 mills.

The difficult economic conditions affecting the State of Michigan continue to affect the operations of the Authority. In 2008, the state formula reimbursement rate decreased from 38.621% to 36.15%. The 36.15% reimbursement rate is more than 15% lower than the average formula reimbursement rate of the late 1990's. In 2009, the rate may decrease even more. The 2008 federal non-urban operating assistance percentage was set at 16% of eligible operating expenses and is expected to remain at this level in 2009. The federal urban assistance level for 2009 is unknown at this time. If federal operating/capital funds [FTA Section 5307] increase in 2009 it may help to reduce the impact of State assistance reductions on the Authority's finances.

The continuing weakness of the State of Michigan is of concern especially since some public transit systems continue to expand services during a time of diminishing State revenues. This growth has the effect of driving down the reimbursement percentage for all systems. Discussions are currently underway at the state level to see if a more equitable distribution formula can be developed. Such a change would not necessarily add state funds to the formula for distribution but it would minimize the effect of growth by other systems, especially large systems, on the rest of the state. A bill to amend the state funding formula has been introduced in the State Senate which would minimize the impact of growth by large transit systems. Its chances for approval are not known at this time.

Two expense categories will continue to be of concern locally. First is the spiraling cost of group health insurance coverage provided by the Authority to full-time employees. As part of the collective bargaining process in 2008, the Authority worked cooperatively with the union committee to convince members of the United Steelworkers, as well as management, to go into a managed care health insurance plan, Health Plus of Michigan, effective October 1, 2008. This plan will cover approximately 80% of full-time employees. The Authority expects to save approximately \$500,000 in medical insurance costs over the next three years as a result of the change.

Bay Metropolitan Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

Second is the high cost of fuel. The Authority is currently spending much more per year for diesel fuel than was spent just a few years ago; this in spite of the fact that smaller, more fuel efficient vehicles are being operated. During 2008 the price of diesel fuel hit an all-time high [\$4.15 per gallon, without tax] in June and then dropped to around \$1.50 per gallon in November. The volatility of the market is something that can neither be controlled nor anticipated.

In light of the serious economic conditions in place during the summer of 2008, the Authority made the decision to eliminate some of its less essential transportation services, resulting in a reduction of about 15% in service miles and service hours operated. This will result in a significant reduction in operating expenses during fiscal year 2009. Nearly 30,000 fewer gallons of diesel fuel are expected to be needed as a result. These service decisions will be reviewed later in the year to determine which services, if any, might be re-instituted in the future. Without the changes, the Authority was looking forward to a large deficit in 2009. With the changes, it appears the operating budget will be in balance.

Requests for Information

This financial report is designed to provide our member jurisdictions, customers, investors and creditors with a general overview of the Authority's finances. Questions concerning any of the information provided in this report, as well as additional financial information, may be obtained by contacting the Chief Financial Officer at the following address:

Finance Manager
Bay Metro Transit
1510 N. Johnson Street
Bay City MI 48708
Phone: 989-894-2900, ext 206

BASIC FINANCIAL STATEMENTS

Bay Metropolitan Transportation Authority

STATEMENT OF NET ASSETS

September 30, 2008

ASSETS

Current assets

Cash and cash equivalents	\$ 1,759,617
Investments	100,498
Cash on deposit with agent	150,000
Accounts receivable	109,663
Grants receivable	372,668
Inventories	329,356
Prepays	46,738

Total current assets	2,868,540
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Noncurrent assets

Capital assets not being depreciated	165,894
Capital assets, net of accumulated depreciation	3,359,140

Total noncurrent assets	3,525,034
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TOTAL ASSETS	6,393,574
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LIABILITIES

Current liabilities

Accounts payable	284,267
Accrued wages	159,308
Other accrued liabilities	175,049
Workers' compensation liability	31,251
Deferred revenue	2,888
Due to Arenac Opportunities, Inc.	30,688
Compensated absences	361,632

TOTAL LIABILITIES	1,045,083
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NET ASSETS

Invested in capital assets	3,525,034
Unrestricted	1,823,457

TOTAL NET ASSETS	\$ 5,348,491
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See accompanying notes to financial statements.

Bay Metropolitan Transportation Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2008

OPERATING REVENUES	
Sales and charges for services	\$ 729,871
OPERATING EXPENSES	
Operations	5,428,760
Maintenance	1,549,137
General administrative	<u>1,242,404</u>
TOTAL OPERATING EXPENSES	<u>8,220,301</u>
OPERATING (LOSS)	(7,490,430)
NONOPERATING REVENUES	
Taxes	2,229,305
Intergovernmental	
Federal sources	1,621,973
State sources	2,644,259
Interest earnings	<u>47,043</u>
TOTAL NONOPERATING REVENUES	<u>6,542,580</u>
NET (LOSS) BEFORE CAPITAL GRANT REVENUE	(947,850)
CAPITAL GRANT REVENUE	
Federal sources	544,595
State sources	<u>124,367</u>
TOTAL CAPITAL GRANT REVENUE	<u>668,962</u>
CHANGE IN NET ASSETS	(278,888)
Restated net assets, beginning of year	<u>5,627,379</u>
Net assets, end of year	<u><u>\$ 5,348,491</u></u>

See accompanying notes to financial statements.

Bay Metropolitan Transportation Authority

STATEMENT OF CASH FLOWS

Year Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 829,292
Cash paid to employees and vendors	(4,565,238)
Cash paid for employee benefits	<u>(2,681,555)</u>

NET CASH (USED) BY OPERATING ACTIVITIES (6,417,501)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes	2,229,305
Subrecipient grants received	452,658
Amounts paid to subrecipients	(526,925)
Intergovernmental operating grants	<u>4,191,783</u>

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 6,346,821

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital purchases	(701,847)
Capital grants	<u>668,962</u>

NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES (32,885)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(100,498)
Maturity of investments	100,000
Interest revenue	<u>47,043</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 46,545

NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR (57,020)

Cash and cash equivalents, beginning of year 1,816,637

Cash and cash equivalents, end of year \$ 1,759,617

Reconciliation of operating (loss) to net cash (used) by operating activities

Operating (loss)	\$ (7,490,430)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	874,596
Decrease in accounts receivable	99,421
(Increase) in inventories	(22,743)
(Increase) in prepaids	(3,108)
Increase in accounts payable	163,489
(Decrease) in accrued wages	(20,356)
Increase in other accrued liabilities	88,236
(Decrease) in workers' compensation liability	(109,397)
Increase in compensated absences	<u>2,791</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (6,417,501)

See accompanying notes to financial statements.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bay Metropolitan Transportation Authority was established under the applicable laws of the State of Michigan Public Act 196, as amended, to operate a transportation system within the County of Bay on November 3, 1986. Public Act 196 known as the "Public Transportation Authority Act" authorizes the formation of public transportation authorities with certain powers and duties as separate and distinct political subdivisions within the State of Michigan.

The Bay Metropolitan Transportation Authority receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The Bay Metropolitan Transportation Authority provides linehaul and demand response services within Bay County. The Bay Metropolitan Transportation Authority provides services on a contractual basis to several nonprofit and governmental agencies within the County as well as other services not provided through private providers.

The accounting policies of the Bay Metropolitan Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with GASB Statement 20, the Authority has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Bay Metropolitan Transportation Authority. The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, as amended by GASB Statement No. 39, and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements.

2. Basis of Presentation

The accounts of the Bay Metropolitan Transportation Authority are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Bay Metropolitan Transportation Authority resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of related cash flows.

5. Cash, Cash Equivalents, and Investments

The Bay Metropolitan Transportation Authority cash accounts consist of various checking and savings accounts. The balances in the cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing accounts.

Investment accounts include certificates of deposit with an original maturity of greater than 90 days from the date of purchase.

6. Cash on Deposit with Agent

The Authority has cash on deposit with the Michigan Transit Insurance Pool of which it is a member. The cash is being held in a premium stabilization fund on behalf of the Authority and is available, without restriction, to the Authority.

7. Inventories

Inventories consist of fuel and maintenance and repair parts and are valued on the average cost basis.

8. Capital Assets and Depreciation

Capital assets, which include land, buildings, vehicles, and equipment, are capitalized at total acquisition cost, provided such cost exceeds \$5,000 and the expected useful life of the asset is more than one year. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	5 - 30 years
Revenue equipment	2 - 12 years
Fare boxes	10 years
Service vehicles	2 - 12 years
Radio equipment	10 years
Furniture and fixtures	6 - 10 years
Maintenance equipment	5 - 10 years
Shelter and signs	3 - 4 years
Data processing equipment	4 - 10 years
Spare parts	2 years

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by BPT.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

8. Capital Assets and Depreciation - continued

The eligible depreciation of \$32,233 (\$874,596 total depreciation reported in PTMS code 51300 for both Urban and Nonurban less ineligible depreciation of \$842,363 reported in PTMS code 55007 Ineligible Depreciation) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

9. Compensated Absences

Bay Metropolitan Transportation Authority employees are granted paid leave time in varying amounts. In the event of termination, an employee is paid for certain portions of unused paid leave time. This amount has been recorded in the Statement of Net Assets.

10. Cost Allocations

The Bay Metropolitan Transportation Authority has seven (7) cost allocation plans where the methodology has been approved by the BPT. Those cost allocations are for the separation of grant costs, charter service, special project costs, urban and nonurban service, regional transportation service, administrative costs, and project zero costs. These cost allocation plans were adhered to in the preparation of the financial statements.

The Bay Metropolitan Transportation Authority allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., service hours, service miles, peak vehicle).

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

12. Explanation of Ineligible Expenses per the BPT R&E Manual

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Bay Metropolitan Transportation Authority is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Cash, cash equivalents, and investments reported on the Statement of Net Assets consist of the following:

Imprest cash	\$ 400
Checking and savings accounts	1,658,407
Certificates of deposit	<u>201,308</u>
Total	<u>\$ 1,860,115</u>

Deposits

Deposits are maintained at four (4) financial institutions and are carried at cost, as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Imprest cash	\$ 400	\$ -
Insured (FDIC)	600,000	600,000
Uninsured	<u>1,259,715</u>	<u>1,279,309</u>
Total deposits	<u>\$ 1,860,115</u>	<u>\$ 1,879,309</u>

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by security type and institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 60 percent of the total investment portfolio shall be invested in a single security type or with a single financial institution.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments caption on the Statement of Net Assets, based upon criteria disclosed in Note A. The following summarizes the categorization of the amounts as of September 30, 2008:

Cash and cash equivalents	\$ 1,759,617
Investments	<u>100,498</u>
Total	<u>\$ 1,860,115</u>

NOTE C: GRANTS RECEIVABLE

Grants receivable at September 30, 2008, by grant type and year are as follows:

Federal Capital Assistance - FY08	\$ 113,264
State Operating Assistance - FY08	55,647
State Capital Assistance - Section 5307	28,317
Federal Section 5311 - FY08	83,277
Federal Section 5303 - FY08	9,859
Specialized Services - FY08	65,291
JARC	<u>17,013</u>
Total	<u>\$ 372,668</u>

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 165,894	\$ -	\$ -	\$ 165,894
Capital assets being depreciated				
Building	5,141,590	-	-	5,141,590
Revenue equipment	9,579,608	624,307	(444,997)	9,758,918
Fareboxes	13,101	-	-	13,101
Service vehicles	222,804	-	-	222,804
Radio equipment	187,758	-	-	187,758
Furniture and fixtures	7,361	-	(996)	6,365
Maintenance equipment	288,147	49,417	-	337,564
Shelter and signs	45,617	-	-	45,617
Spare parts	-	12,797	-	12,797
Data processing equipment	<u>163,984</u>	<u>15,326</u>	<u>(4,638)</u>	<u>174,672</u>
Subtotal at historical cost	15,649,970	701,847	(450,631)	15,901,186
Less accumulated depreciation for:				
Building	(3,690,854)	(250,393)	-	(3,941,247)
Revenue equipment	(7,680,969)	(576,243)	444,997	(7,812,215)
Fareboxes	(13,100)	-	-	(13,100)

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE D: CAPITAL ASSETS - CONTINUED

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
Business-type activities - continued:				
Less accumulated depreciation for - continued:				
Service vehicles	\$(222,804)	\$ -	\$ -	\$(222,804)
Radio equipment	(184,701)	(764)	-	(185,465)
Furniture and fixtures	(6,372)	(989)	996	(6,365)
Maintenance equipment	(123,012)	(27,577)	-	(150,589)
Shelter and signs	(42,503)	(1,283)	-	(43,786)
Spare parts	(-)	(8,098)	-	(8,098)
Data processing equipment	(153,766)	(9,249)	4,638	(158,377)
Subtotal at historical cost	(12,118,081)	(874,596)	450,631	(12,542,046)
Net capital assets being depreciated	3,531,889	(172,749)	-0-	3,359,140
Capital assets, net	\$ 3,697,783	\$(172,749)	\$ -0-	\$ 3,525,034

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year the Bay Metropolitan Transportation Authority disposed of assets that were Federally and State funded with a historical cost of \$450,631. The total amount disposed of was fully depreciated. Depreciation expense in the amount of \$874,596 was reported for year ended September 30, 2008.

NOTE E: RETIREMENT PLAN

Plan Description

The Bay Metropolitan Transportation Authority participates in the Municipal Employees Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Bay Metropolitan Transportation Authority. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees currently are not required to make contributions to the retirement system. The Bay Metropolitan Transportation Authority is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended September 30, 2008, the Bay Metropolitan Transportation Authority's annual pension cost of \$478,024 for the plan was equal to the Bay Metropolitan Transportation Authority's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal actuarial cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty-two (32) years.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 3,445,227	\$ 3,996,705	\$ 4,751,044
Actuarial accrued liability (AAL) (entry age)	6,857,822	7,572,421	8,395,184
Unfunded (overfunded) AAL	3,412,595	3,575,716	3,644,140
Funded ratio	50 %	53 %	57%
Covered payroll	2,975,782	3,239,188	3,098,789
UAAL as a percentage of covered payroll	115 %	110 %	118 %

	Year Ended September 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 424,019	\$ 426,546	\$ 478,024
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

NOTE F: COMPENSATED ABSENCES

Paid leave time is accrued at the rate of 19, 24, 29 and 30 days for one, two, five and ten years of service, respectively, for United Steel Workers of America union employees. Unused paid leave shall be paid off on the first pay period after the employee's anniversary date. Employees may carryover a maximum of 120 hours. Vacation, sick, and personal days are no longer separately determined for this class of employees.

Support personnel accrue paid leave days as follows:

Less than one year service	7 days
After one year of service	8 days
Two years of service	9 days
Three and over years of service	10 days

Management employees accrue paid leave days as follows:

Less than one year service	8 days
One to three years of service	21 days
Three to five years of service	26 days
Five and over years of service	31 days

Management employees may carry over a maximum of 40 hours, except for the General Manager, who may carry over 80 hours. Unused hours are paid out to the employee.

Teamsters union employees accrue paid leave days as follows:

After completion of probation	5 days
After one year of service	17 days
After two years of service	22 days
After five years of service	27 days

Part-time employees are eligible for 50 percent of the accrual. Each year, based on the anniversary date of employment, employees may cash in unused leave time or carry over up to forty (40) hours.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F: COMPENSATED ABSENCES - CONTINUED

Sick leave is no longer accrued. Staff employees with five or more years seniority may receive cash for 50 percent of sick leave accrued prior to October 1, 1994, upon termination of employment, not to exceed \$1,000.

Accumulated compensated absences represent a liability to the Authority, which is presented as a current liability. A current liability of \$361,632 is reported in the Statement of Net Assets at September 30, 2008.

NOTE G: PROPERTY TAX REVENUES

The Bay Metropolitan Transportation Authority property tax is levied in December on the Taxable Value of property located in the County of Bay as of the preceding December. Real and personal property in the County for the current levy was assessed and equalized at approximately \$3.01 billion representing 50% of estimated current market value. In November 2004, the Bay Metropolitan Transportation Authority's tax rate of .75 mills was renewed for five (5) years, expiring in December 2010. For the year ended September 30, 2008, the Bay Metropolitan Transportation Authority levied .7476 mills.

NOTE H: RISK MANAGEMENT

The Bay Metropolitan Transportation Authority is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities.

This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the Bay Metropolitan Transportation Authority.

The Bay Metropolitan Transportation Authority pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the Authority receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the Authority and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the Authority upon notification.

The Bay Metropolitan Transportation Authority continues to carry commercial insurance for employee health and other insurance including general liability and commercial building insurance.

NOTE I: SELF-INSURANCE

The Authority is self-insured for employee's workers' compensation insurance. The self-insurance program is administered by an independent administrator who processes daily claims and performs management duties. Currently, the Authority insures claims of up to \$350,000 for an individual employee. In addition, the Authority has purchased insurance coverage to pay claims exceeding the self-insured portion. To date, the Authority has not incurred any claims exceeding the plan limit.

The claim liability at September 30, 2008, is based on the requirements of Governmental Accounting Standards Board, Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claim liability is estimated by the independent administrator.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I: SELF-INSURANCE - CONTINUED

The changes in the claim liability for the years ended September 30, 2008, September 30, 2007, and September 30, 2006, are as follows:

	Beginning of Year/Period Liability	Current Year/Period Claims and Changes in Estimates	Claim Payments	End of Year/Period Liability
2008	\$ 140,648	\$ 128,480	\$(237,877)	\$ 31,251
2007	221,648	173,612	(254,612)	140,648
2006	143,009	193,218	(114,579)	221,648

NOTE J: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

There is legal action pending against the Authority. Due to the inconclusive nature of the action, it is not possible for Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. This potential liability, if any, is considered by Authority Management and legal counsel to be immaterial or the potential liability would be covered by insurance.

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they reach the normal retirement age of 60 with at least 6 years of credited service while working for the Authority. These benefits are provided until age 65, at which time the individuals are eligible for Medicare coverage.

The cost of retiree health care benefits is recognized as an expense as insurance premiums are paid. For the year ended September 30, 2008, those costs totaled \$30,402.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has issued Statement Number 45, *Accounting and Reporting By Employers for Post-employment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

Bay Metropolitan Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE L: RESTATEMENT OF NET ASSETS

The Transportation Authority has received reconciliation amounts for state operating assistance for the years ended September 30, 2005 and 2007 in excess of amounts initially recorded as grants receivable. As a result, beginning net assets has been restated as follows:

Net assets as of September 30, 2007	\$ 5,535,323
Understated receivables	<u>92,056</u>
Restated net assets as of September 30, 2007	<u>\$ 5,627,379</u>

NOTE M: COMPLIANCE REQUIREMENTS

The methodology used for compiling mileage on OAR Schedules (Urban, Nonurban, JARC, and Specialized Services) is an adequate and reliable methodology for recording vehicle mileage.

No capital money was used to pay for operating expenses and none are included in total expenses to be reimbursed with State Formula Funds.

Ineligible expenses are classified appropriately according to the definition in the local public transit revenue and expense manual. Expenses associated with generating local revenues (i.e. sale of maintenance servicing Central Bus Station rental revenue) have been subtracted out as ineligible.

OTHER SUPPLEMENTARY INFORMATION

Bay Metropolitan Transportation Authority

LOCAL REVENUES

Year Ended September 30, 2008

Farebox (Urban)	\$ 134,160
Farebox (Nonurban)	53,097
Contract fares	510,146
Administrative services	2,080
Sale of maintenance services	3,323
Gain on sale of capital assets	14,526
Central Bus Station rental	12,539
Tax levy	2,229,305
Interest income	<u>47,043</u>
TOTAL LOCAL REVENUES	<u>\$ 3,006,219</u>

Bay Metropolitan Transportation Authority
EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2008

Federal and State Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State		
U.S. DEPARTMENT OF TRANSPORTATION								
Direct Assistance								
Federal Transit - Formula Grants ^{(a)(b)}	20.507							
Operating Assistance - Section 5307		MI-90-4560-00	\$ 1,079,538	\$1,079,538	\$1,079,538	\$ -	\$ -	\$ -0-
Passed through Bay County								
Federal Transit - Metropolitan Planning Grants	20.505							
Planning Assistance - Section 5303 07-08		N/A	32,154	32,154	32,154	-	-	-0-
Passed Through Michigan Department of Transportation								
Federal Transit - Capital Investment Grants ^{(a)(b)}	20.500							
Capital Assistance - Section 5309 (80/20)		MI-04-0002/2002-0014/Z34	495,000	10,238	10,238	-	482,082	2,680
Capital Assistance - Section 5309 (80/20)		2002-0014/Z33	371,280	370,296	296,237	74,059	-	984
Capital Assistance - Section 5309 (80/20)		MI-04-0020/2007-0171/Z4	112,200	109,786	87,829	21,957	-	2,414
Capital Assistance - Section 5309 (80/20)		MI-03-192/2007-0171/Z10	174	174	139	35	-	-0-
Federal Transit - Formula Grants ^{(a)(b)}								
Capital Assistance - Section 5307 (80/20)		MI-90-0535/2007-0171/Z5	218,000	178,468	150,152	28,316	-	39,532
Capital Assistance - Section 5307 (80/20)		MI-90-0560/2007-0171/Z15	91,000	-	-	-	-	91,000
Formula Grants for Other than Urbanized Areas	20.509							
Operating Assistance - Section 5311 (FY 08)		MI-18-4042/2007-0171/Z8	483,345	510,281	510,281	-	-	-0-
Operating Assistance - Section 5311 (FY 07)		2007-0171/Z3/R1	536,407	-	-	-	482,454	53,953
Operating Assistance - Section 5311 (FY 08)								
Arenac Opportunities, Inc.		MI-18-4042/2007-0171/Z7	84,957	84,105	84,105	-	-	852
Job Access Reverse Commute (50/50)	20.516	MI-37-X024/2007-0171/Z9	40,094	40,094	20,047	20,047	-	-0-

Bay Metropolitan Transportation Authority

EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

Year Ended September 30, 2008

Federal and State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State		
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Operating Assistance - Act 51	N/A							
Operating Assistance (FY 08)								
Urban		N/A	\$ 1,475,582	\$1,491,342	\$ -	\$1,491,342	\$ -	\$ (15,760)
Nonurban		N/A	1,140,698	1,152,917	-	1,152,917	-	(12,219)
Operating Assistance (FY 05)		N/A	2,714,269	-0-	-	-	2,613,252	101,017
Operating Assistance (FY 08)								
Arenac Opportunities, Inc.		N/A	191,953	190,025	-	190,025	-	1,928
Operating Assistance (FY 05)								
Arenac Opportunities, Inc.		N/A	181,575	-0-	-	-	174,818	6,757
Operating Assistance (FY 04)								
Arenac Opportunities, Inc.		N/A	194,612	-0-	-	-	192,057	2,555
Specialized Services	N/A							
Specialized Services 07-08		2007-0171/Z6	138,434	138,434	-	138,434	-	-0-
Specialized Services 05-06		2002-0014/Z29	121,553	-0-	-	-	120,216	1,337
TOTALS			\$ 9,702,825	\$5,387,852	\$2,270,720	\$3,117,132	\$ 4,064,879	\$ 277,030

(a) Denotes major program.

(b) Denotes programs required to be clustered by the United States Department of Transportation.

(c) The total Federal and State revenue on the Statement of Revenues, Expenses, and Changes in Fund Net Asset is \$2,166,568 and \$2,768,626, respectively. The total Federal and State Revenue on the Expenditures of Federal and State Awards is \$2,270,720 and \$3,117,132, respectively. The difference between the Federal revenue amounts is \$104,152, due to \$84,105 Operating Assistance - Section 5311 passed through to Arenac Opportunities, Inc. and \$20,047 Job Access Reverse Commute passed through to service providers. The difference between the State revenue amounts is \$308,412, due to \$190,025 Operating Assistance passed through to Arenac Opportunities, Inc., \$138,434 Specialized Services passed through to service providers, and \$20,047 Job Access Reverse Commute passed through to providers.

Bay Metropolitan Transportation Authority

OPERATING AND CONTRACT EXPENSES

Year Ended September 30, 2008

	Urban	Nonurban	Section 5303	Total
Labor	\$ 1,584,357	\$ 1,208,569	\$ 25,581	\$ 2,818,507
Fringe benefits	1,518,122	1,127,996	17,067	2,663,185
Services	131,063	98,874	-	229,937
Materials and supplies	574,841	532,767	-	1,107,608
Utilities	66,754	50,358	-	117,112
Insurance	61,739	63,400	-	125,139
Taxes and fees	3,033	2,288	-	5,321
Purchased service	79,652	60,088	-	139,740
Miscellaneous expenses	44,427	33,513	-	77,940
Interest on short-term debt	17	13	-	30
Operating leases	10,567	7,971	-	18,538
Depreciation	512,930	361,666	-	874,596
TOTAL EXPENSES	\$ 4,587,502	\$ 3,547,503	\$ 42,648	\$ 8,177,653

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4R
URBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 134,160
40200	Contract fares	311,789
406	Auxiliary trans revenue	
40699	Administrative services	1,198
407	Nontransportation revenue	
40710	Sale of maintenance services	1,633
40760	Gain on sale of capital assets	7,728
40799	Central Bus Station rental and other	6,144
408	Local revenue	
40800	Tax levy	1,291,717
411	State formula and contracts	
41101	State operating assistance	1,491,342
413	Federal contracts	
41302	Federal section 5307	1,079,538
41399	Federal section 5303	32,154
414	Other revenue	
41400	Interest income	27,099
	TOTAL URBAN SERVICE REVENUE	\$ 4,384,502

Bay Metropolitan Transportation Authority
OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT
Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
	Expenses				
501	Labor				
50101	Operator's salaries and wages	\$ 951,309	\$ -	\$ -	\$ 951,309
50102	Other salaries and wages	178,669	257,924	222,036	658,629
502	Fringe benefits				
50200	Other fringe benefits	964,598	159,025	132,869	1,256,492
50201	Pension	187,313	43,613	47,771	278,697
503	Services				
50302	Advertising fees	-	-	3,147	3,147
50305	Audit cost	-	-	7,239	7,239
50399	Other services	57,433	22,580	40,664	120,677
504	Materials and supplies				
50401	Fuel and lubricants	320,277	7,969	-	328,246
50402	Tires and tubes	17,792	-	-	17,792
50404	Major supplies	-	6,798	-	6,798
50499	Other services	3,057	209,786	9,162	222,005
505	Utilities				
50500	Utilities	-	59,913	6,841	66,754
506	Insurance				
50603	Liability insurance	51,012	-	712	51,724
50699	Other insurance	2,990	10	7,015	10,015
507	Taxes and fees				
50700	Taxes	-	-	3,033	3,033
508	Purchased transportation service				
50800	Purchased transportation service	79,652	-	-	79,652
509	Miscellaneous expenses				
50902	Travel, meeting, and training	455	501	2,758	3,714
50903	Association dues and subscriptions	-	-	14,440	14,440
50999	Other miscellaneous	1,218	17,624	7,431	26,273
511	Interest expense				
51102	Interest on short-term debt	-	-	17	17
512	Operating leases and rentals				
51200	Leases and rentals	-	-	10,567	10,567
513	Depreciation				
51300	Depreciation	346,516	17,855	148,559	512,930
550	Less ineligible expenses				
55007	Ineligible depreciation	336,704	16,748	140,796	494,248
55008	Ineligible Central Bus Station rental and other	-	6,144	-	6,144
55009	Ineligible percent of association dues	-	-	1,518	1,518
55010	Other ineligible expenses associated with administrative services	-	-	1,186	1,186
560	Less ineligible expenses				
56001	Ineligible expenses associated with sale of maintenance services	-	1,628	-	1,628
Total expenses					4,630,150
Total ineligible expenses					504,724
Total eligible expenses					\$ 4,125,426

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4N
URBAN REGULAR SERVICE NONFINANCIAL REPORT

Year Ended September 30, 2008

PUBLIC SERVICE

Code	Description	Weekday	Saturday	Sunday	Total
611	Vehicle Miles ⁽¹⁾	681,617	61,684	-	743,301

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 53,097
40200	Contract fares	198,357
406	Auxiliary trans revenue	
40699	Administrative services	882
407	Nontransportation revenue	
40710	Sale of maintenance services	1,690
40760	Gain on sale of capital assets	6,798
40799	Central Bus Station rental and other	6,395
408	Local revenue	
40800	Tax levy	937,588
411	State formula and contracts	
41101	State operating assistance	1,152,917
413	Federal contracts	
41301	Federal section 5311	510,281
414	Other revenue	
41400	Interest income	19,944
	TOTAL NONURBAN SERVICE REVENUE	<u>\$ 2,887,949</u>

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4E

NONURBAN REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
	Expenses				
501	Labor				
50101	Operator's salaries and wages	\$ 634,206	\$ -	\$ -	\$ 634,206
50102	Other salaries and wages	119,113	268,452	186,798	574,363
502	Fringe benefits				
50200	Other fringe benefits	643,066	165,516	113,109	921,691
50201	Pension	124,875	45,393	36,037	206,305
503	Services				
50302	Advertising fees	-	-	2,375	2,375
50305	Audit cost	-	-	5,461	5,461
50399	Other services	43,326	17,035	30,677	91,038
504	Materials and supplies				
50401	Fuel and lubricants	333,349	8,295	-	341,644
50402	Tires and tubes	18,518	-	-	18,518
50404	Major supplies	-	5,128	-	5,128
50499	Other materials and supplies	2,306	158,259	6,912	167,477
505	Utilities				
50500	Utilities	-	45,197	5,161	50,358
506	Insurance				
50603	Liability insurance	53,093	-	742	53,835
50699	Other insurance	2,256	8	7,301	9,565
507	Taxes and fees				
50700	Taxes	-	-	2,288	2,288
508	Purchased transportation service				
50800	Purchased transportation service	60,088	-	-	60,088
509	Miscellaneous expenses				
50902	Travel, meeting, and training	343	377	2,080	2,800
50903	Association dues	-	-	10,894	10,894
50999	Other miscellaneous	919	13,295	5,605	19,819
511	Interest expense				
51102	Interest on short-term debt	-	-	13	13
512	Operating leases and rentals				
51200	Leases and rentals	-	-	7,971	7,971
513	Depreciation				
51300	Depreciation	231,011	18,584	112,071	361,666
550	Less ineligible expenses				
55007	Ineligible depreciation	224,469	17,432	106,215	348,116
55008	Ineligible Central Bus Station rental and other	-	6,395	-	6,395
55009	Ineligible percent of association dues	-	-	1,145	1,145
55010	Other ineligible expenses associated with administrative services	-	-	894	894
560	Less ineligible expenses				
56001	Ineligible expenses associated with sale of maintenance services	-	1,694	-	1,694
Total expenses					3,547,503
Total ineligible expenses					358,244
Total eligible expenses					<u>\$ 3,189,259</u>

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4N
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT

Year Ended September 30, 2008

PUBLIC SERVICE

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles ⁽¹⁾	757,921	28,183	-	786,104

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4E
SECTION 5303 REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2008

<u>Code</u>	<u>Description</u>	<u>Administrative</u>
	Expenses	
501	Labor	
50102	Other salaries and wages	\$ 25,581
502	Fringe benefits	
50200	Other fringe benefits	17,067
	Total eligible expenses	<u>\$ 42,648</u>

Bay Metropolitan Transportation Authority
OPERATING ASSISTANCE CALCULATION
Year Ended September 30, 2008

	<u>Urban</u>	<u>Nonurban</u>	<u>Section 5303</u>
Total expenses	\$ 4,630,150	\$ 3,547,503	\$ 42,648
Less ineligible expenses			
Depreciation	494,248	348,116	-
Central Bus Station rental	6,144	6,395	-
Association dues	1,518	1,145	-
Administrative services	1,186	894	-
Sale of maintenance services	1,628	1,694	-
	<u>504,724</u>	<u>358,244</u>	<u>-0-</u>
 TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	 <u>\$ 4,125,426</u>	 <u>\$ 3,189,259</u>	 <u>\$ 42,648</u>
 Eligible expenses for State reimbursement x Reimbursement percentage	 <u>\$ 4,125,426</u> <u>0.361500</u>	 <u>\$ 3,189,259</u> <u>0.361500</u>	
 State operating assistance	 <u>\$ 1,491,342</u>	 <u>\$ 1,152,917</u>	
 Eligible expenses for Federal reimbursement Reimbursement percentage (Section 5307 not to exceed \$1,079,538; Section 5303 not to exceed \$32,154)	 <u>\$ 4,125,426</u> <u>0.500000</u>	 <u>\$ 3,189,259</u> <u>0.160000</u>	 <u>\$ 42,648</u> <u>0.800000</u>
 Federal operating assistance	 <u>\$ 1,079,538</u>	 <u>\$ 510,281</u>	 <u>\$ 32,154</u>

Bay Metropolitan Transportation Authority

SUBRECIPIENT SCHEDULE OF LOCAL REVENUES (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

Demand Response - Farebox (Nonurban)	\$ 17,250
Contract fares	249,646
Other local contracts and reimbursements	<u>5,000</u>
 TOTAL LOCAL REVENUES	 <u>\$ 271,896</u>

Bay Metropolitan Transportation Authority

SUBRECIPIENT SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State		
U.S. DEPARTMENT OF TRANSPORTATION								
Passed Through Michigan Department of Transportation Formula Grants for Other than Urbanized Areas Operating Assistance - Section 5311 (FY 08) Arenac Opportunities, Inc.	20.509							
		MI-18-4042/2007-0171/Z7	\$ 84,957	\$ 84,105	\$ 84,105	\$ -	\$ -	\$ 852
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Operating Assistance - Act 51 Operating Assistance (FY 08) Arenac Opportunities, Inc.	N/A							
		N/A	191,953	190,025	-	190,025	-	1,928
Operating Assistance (FY 05) Arenac Opportunities, Inc.		N/A	181,575	-	-	-	174,818	6,757
Operating Assistance (FY 04) Arenac Opportunities, Inc.		N/A	194,612	-	-	-	192,057	2,555
TOTALS			\$ 653,097	\$ 274,130	\$ 84,105	\$ 190,025	\$ 366,875	\$ 12,092

Bay Metropolitan Transportation Authority

SUBRECIPIENT SCHEDULE OF OPERATING AND CONTRACT EXPENSES (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

	<u>Nonurban</u>
Labor	\$ 298,349
Fringe benefits	37,752
Services	41,404
Materials and supplies	106,174
Utilities	12,262
Insurance	19,146
Miscellaneous expenses	9,804
Interest expense	1,873
Operating leases	838
Depreciation	<u>1,872</u>
TOTAL EXPENSES	<u>\$ 529,474</u>

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4R
SUBRECIPIENT NONURBAN REGULAR SERVICE REVENUE REPORT (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 17,250
40200	Contract fares	249,646
408	Local revenue	
40999	Other local contracts and reimbursements	5,000
411	State formula and contracts	
41101	State operating assistance	190,025
413	Federal contracts	
41301	Federal section 5311	84,105
	TOTAL NONURBAN SERVICE REVENUE	<u>\$ 546,026</u>

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4E
SUBRECIPIENT NONURBAN REGULAR SERVICE EXPENSE REPORT (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
	Expenses				
501	Labor				
50101	Operator's salaries and wages	\$ 226,358	\$ -	\$ -	\$ 226,358
50102	Other salaries and wages	-	-	32,577	32,577
50103	Dispatcher's salaries and wages	39,414	-	-	39,414
502	Fringe benefits				
50200	Other fringe benefits	32,467	-	5,285	37,752
503	Services				
50302	Advertising fees	-	-	1,310	1,310
50305	Audit Cost	-	-	1,112	1,112
50399	Other services	-	35,359	3,623	38,982
504	Materials and supplies				
50401	Fuel and lubricants	96,567	-	-	96,567
50402	Tires and tubes	3,407	-	-	3,407
50499	Other materials and supplies	4,845	-	1,355	6,200
505	Utilities				
50500	Utilities	-	-	12,262	12,262
506	Insurance				
50603	Liability insurance	18,048	-	-	18,048
50699	Other insurance	-	-	1,098	1,098
509	Miscellaneous expenses				
50902	Travel, meeting, and training	4,643	-	-	4,643
50903	Association dues and subscriptions	-	-	4,429	4,429
50999	Other miscellaneous	-	-	732	732
511	Interest expense				
51101	Interest on long-term debt	-	-	1,873	1,873
512	Operating leases and rentals				
51200	Leases and rentals	-	-	838	838
513	Depreciation				
51300	Depreciation	-	-	1,872	1,872
550	Less ineligible expenses				
55007	Ineligible depreciation	-	-	1,872	1,872
55006	Other ineligible interest expense	-	-	1,873	1,873
55009	Ineligible percent of association dues	-	-	72	72
Total expenses					529,474
Total ineligible expenses					3,817
Total eligible expenses					\$ 525,657

Bay Metropolitan Transportation Authority

OAR SCHEDULE 4N
SUBRECIPIENT NONURBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

PUBLIC SERVICE

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles ⁽¹⁾	368,567	15,670	-	384,237

Bay Metropolitan Transportation Authority

SUBRECIPIENT OPERATING ASSISTANCE CALCULATION (UNAUDITED)
ARENAC OPPORTUNITIES, INC.

Year Ended September 30, 2008

	Nonurban
Total expenses	\$ 529,474
Less ineligible expenses	
Depreciation	1,872
Other interest expense	1,873
Association dues	72
	<hr/>
Total ineligible expenses per R&E manual	3,817
	<hr/>
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	<u>\$ 525,657</u>
Eligible expenses for State reimbursement	\$ 525,657
x Reimbursement percentage	<hr/> 0.361500
State operating assistance	<u>\$ 190,025</u>
Eligible expenses for Federal reimbursement	\$ 525,657
x Reimbursement percentage	<hr/> 0.160000
Federal section 5311 operating assistance	<u>\$ 84,105</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Bay Metropolitan Transportation Authority
Bay City, Michigan

We have audited the basic financial statements of the Bay Metropolitan Transportation Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay Metropolitan Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Directors of the Bay Metropolitan Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 5, 2009

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Bay Metropolitan Transportation Authority
Bay City, Michigan

Compliance

We have audited the compliance of the Bay Metropolitan Transportation Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended September 30, 2008. The Bay Metropolitan Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the Bay Metropolitan Transportation Authority's management. Our responsibility is to express an opinion on the Bay Metropolitan Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bay Metropolitan Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Bay Metropolitan Transportation Authority's compliance with those requirements.

In our opinion, the Bay Metropolitan Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Bay Metropolitan Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Bay Metropolitan Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the Board of Directors of the Bay Metropolitan Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 5, 2009

Bay Metropolitan Transportation Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____	Yes	<u> X </u>	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Bay Metropolitan Transportation Authority
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2008

There were no findings disclosed for the past two years.